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DEPARTMENT OF STATE

a3, a5 ϕ Saud Visit

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DATE: May 18, 1978
TIME: 1:00 PM
PLACE: James Madison R

SUBJECT: Secretary's Meeting with Saudi Foreign Minister Prince Saud: Luncheon Sessi

PARTICIPANTS: Saudi Arabia

His Royal Highness Prince Saud al-Faisal bin Abd al-Aziz, Minister of Foreign Affairs of Saudi Arabia
Ali Abdallah Alireza, Ambassador of Saudi Arabia
Sheikh Abdallah Alireza, Deputy Minister for Economic and Cultural Affairs, Ministry of Foreign Affairs of Saudi Arabia
Dr. Nizar O. Madani, First Secretary, Embassy of Saudi Arabia

United States

The Secretary
Andrew J. Young, Permanent Representative of the United States to the United Nations
Alfred L. Atherton, Jr., Ambassador at Large
Richard N. Cooper, Under Secretary for Economic Affairs
Lucy Wilson Benson, Under Secretary of State for Security Assistance, Science and Technology
Richard M. Moose, Jr., Assistant Secretary of State for African Affairs
Harold Saunders, Assistant Secretary of State for Near Eastern and South Asian Affairs
John C. West, American Ambassador to Saudi Arabia
William B. Quandt, National Security Council
William R. Crawford, Deputy Assistant Secretary of State for Near Eastern and South Asian Affairs
Joseph W. Twinam, Director, Office of Arabian Peninsula Affairs, Bureau of Near Eastern and South Asian Affairs (Notetaker)

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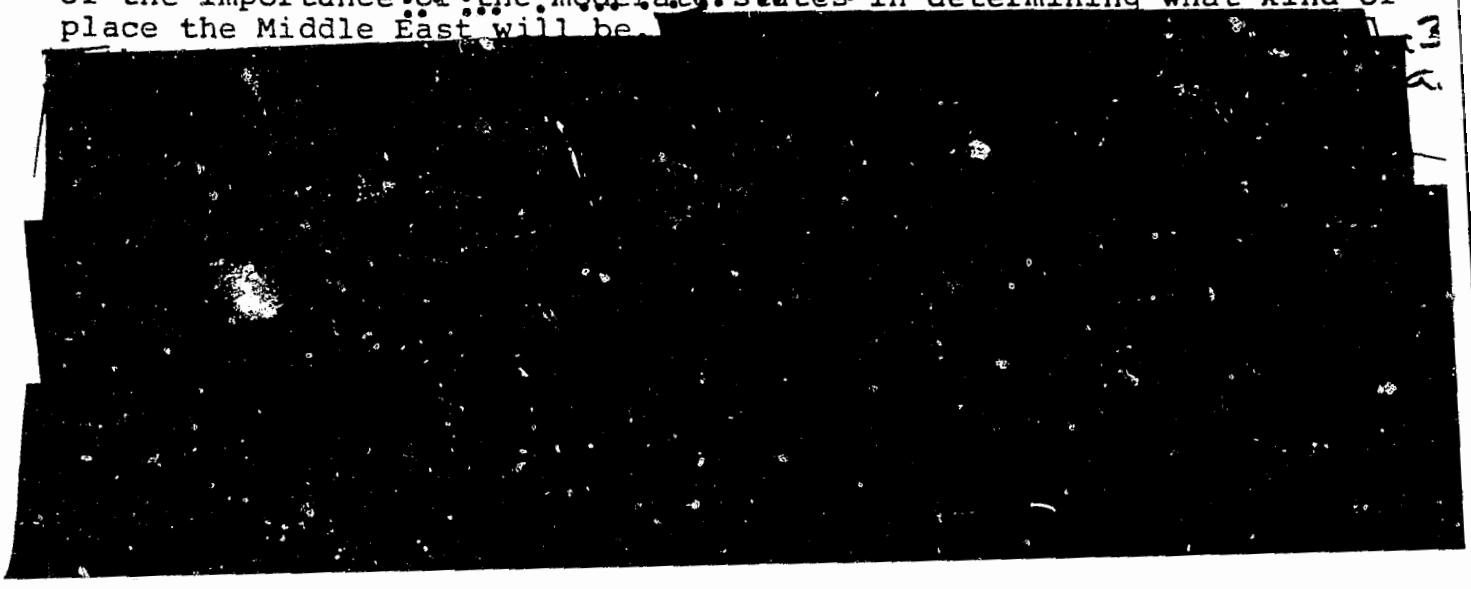
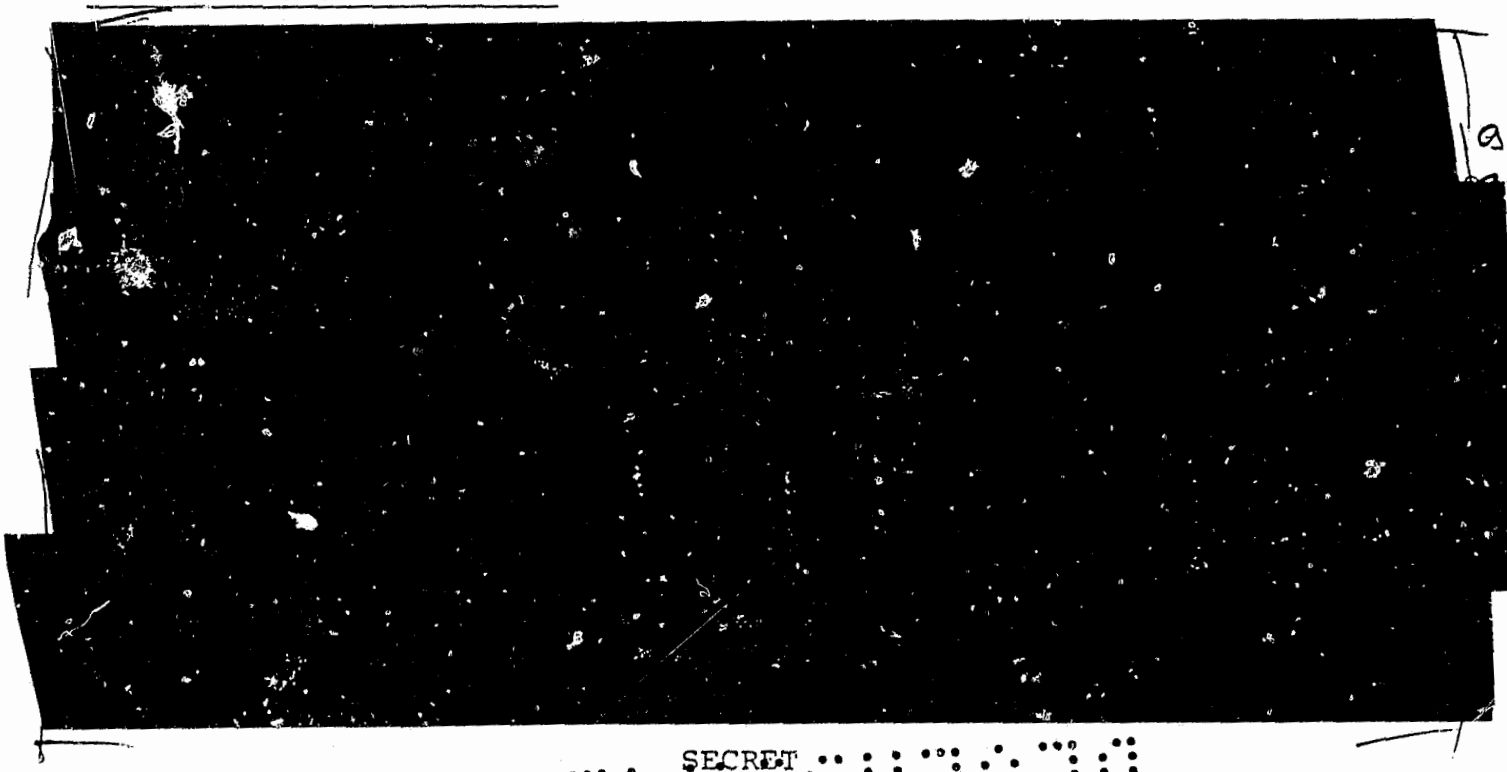
Elijah Kelly June 18, 85

Summary. The Secretary, in the context of Saud's expression of appreciation for the Administration's efforts in behalf of the Middle East aircraft sales, put the Congressional issue in context, noting th the Senate vote was not one against Israel but essentially recog[illegible]ion of the importance of the moderate states in determining what kind of place the Middle East will be.



(In the course of social pleasantries prior to the luncheon, Prince Saud expressed to the Secretary the Saudi Government's appreciation for the Administration's efforts in behalf of the sale of F-15s to Saudi Arabia.)

South Lebanon and UNIFIL



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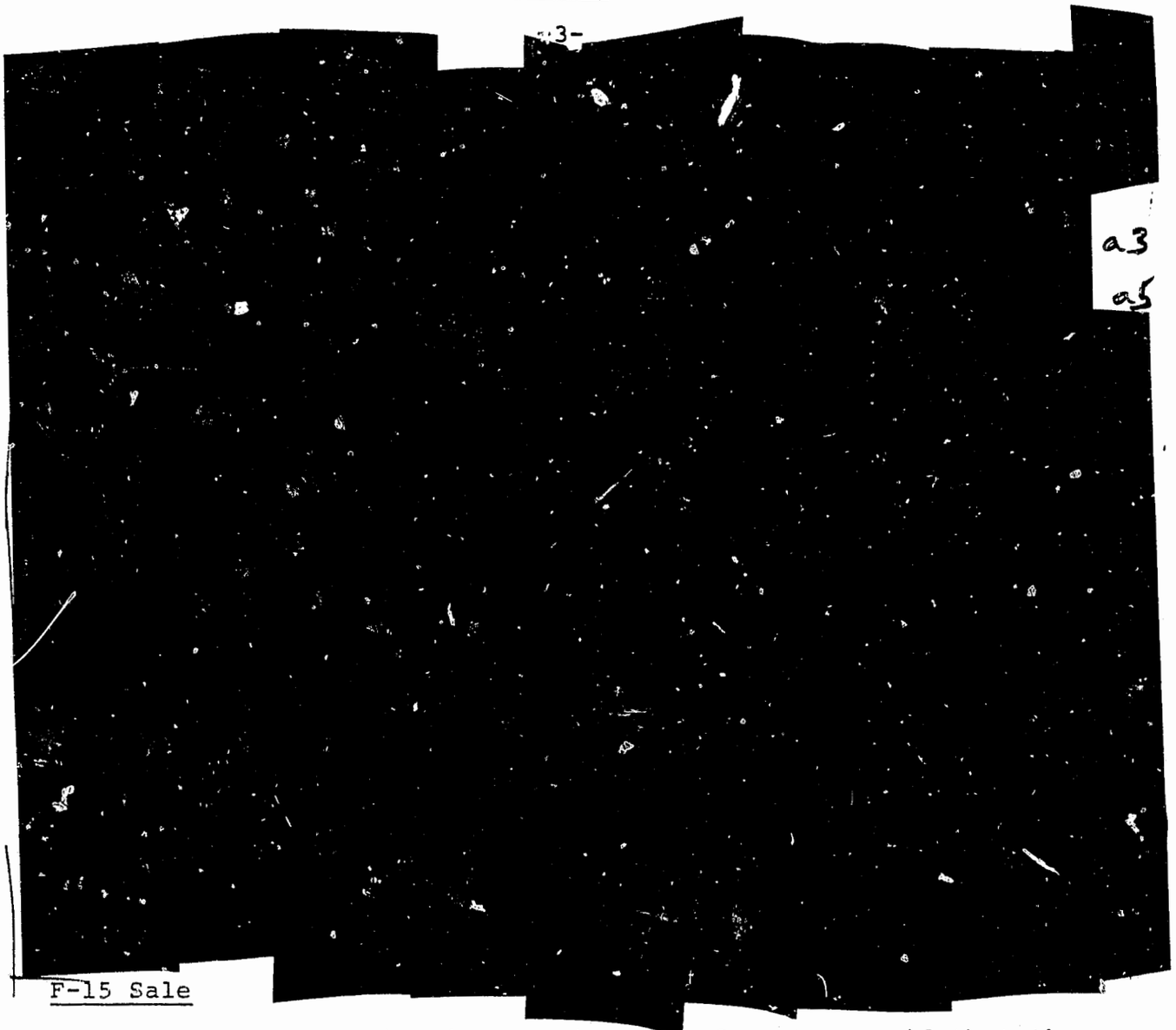

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F-15 Sale

In response to the Prince's question, the Secretary said that the Vice President will address the UN on the 24th because the President is facing an extremely tight schedule, needing to focus on such difficult domestic issues as the labor bill after having devoted so much time personally to such issues as the Panama Canal Treaty and the Middle East aircraft sales.

Ambassador Young noted that because party discipline is not strong in the Congress, the President had had to deal with numerous individual members of Congress on the aircraft sales.

The Secretary referred to the President's, Vice President's and his own frequent discussions with members of Congress on this question. He agreed with Prince Saud that issues of great importance were involved

in the Middle East aircraft issue, but cautioned that the Senate vote in support of the Saudi sale was not an anti-Israel vote. He said the vote was essentially recognition of the importance of the moderate states in determining what kind of place the Middle East will be. In response to Prince Saud's comment on how carefully members of Congress had gone into the issues, the Secretary noted Congressman Studds' letter to his constituents explaining the issues in careful detail. Ambassador Atherton added that the general public appears to have gone through much the same sort of thought process as the Congress in evaluating the merits of the aircraft sales. The Secretary added that editorial support in the press had veen very helpful. He congratulated Ambassador Alireza and his associates on the good job they had done in convincing people of the importance of the sale. The Secretary added that even some Congressmen who voted against the Administration's proposal did not seem unhappy with the outcome.

Economic Issues

At the Secretary's request, Mr. Cooper briefly reviewed the international economic situation, which he described as "middling." He said the U.S. economy is progressing very well with employment in good shape and the growth rate being well managed. He noted that Japanese Prime Minister Fukuda has indicated that Japan will be pushing for seven percent growth rate. Europe is the weak spot with slow growth and unemployment problems leading to increased government intervention into the economies sector by sector. The threat of increased protectionism is growing. This will be the major focus of the July Economic Summit. In addition some commodity prices, such as Zambian copper, are depressed and it is difficult to foresee a revival until the overall world economy picks up.

Turning to the U.S. energy picture, Mr. Cooper noted that the President's energy program has been before the Congress a year, that three of the five key sections of the package have been agreed to, and that the fourth, natural gas price controls, appeared to be within 48 hours of agreement. The final section is the very controversial proposal of a domestic crude oil tax designed to raise domestic oil prices to the world price level in order to encourage conservation. This may be worked out in the Congress in four to six weeks but we must think about alternatives if it does not pass. One alternative would be to impose a import fee on crude oil at a level which would raise the average weighted price for all crude consumed within the United States to that price which would have prevailed had the domestic crude oil tax been passed. Mr. Cooper noted that Saudi Oil Minister Yamani had publicly expressed reservations about U.S. imposition of a import fee and he stressed that this is only a second-best alternative to the crude oil tax and that it is being considered at the technical level with no Presidential decision having been taken.

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[redacted]

The Secretary noted the importance to the international economy of our cutting down on oil consumption and the consequent need for the United States to raise the price of oil consumed in this country one way or another. Mr. Cooper noted that we are also looking at other alternatives and will want to consult closely with Saudi Arabi , recognizing that the OPEC reaction is very important.

Ambassador Young stressed that it is not certain how the President will finally act but that in an open society there is a need to disc ss all options publicly.

Mr. Cooper added that there is of course a link between our problem of increased oil imports and turbulence in international financial markets.

[redacted]

The Secretary noted the importance of the Economic Summit stressing that each of the industrialized countries must contribute in its own way to the improvement of the overall international economy. In so far as the United States contribution is concerned, the key issues are whether we can conserve energy and control inflation. We need to do both as our share in contribution to overall world economic progress.

In response to Prince Saud's question, the Secretary said we have had useful discussions with the Japanese who are going to take some action to accelerate their economic growth. They are considering a supplementa budget to expand both growth and imports. We believe the Japanese are making a genuine effort, but it remains to be seen whether this will be enough.

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Mr. Cooper noted that the substance on some economic questions does seem to be shifting to the UN and there is a general problem of developing countries tending to rely on politically-oriented ambassadors to deal with these complex issues. He noted the value of the Overview Committee in both covering gaps in the management of the overall international economic system and monitoring developments. He said the Overview Committee is an effort to institutionalize things like CIEC. He said it would be useful to have frequent, ongoing dialogues with the Saudis on these issues.

The Secretary agreed with this last point.

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